

MOR-1**UNITED STATES BANKRUPTCY COURT**

CASE NAME: Burkhalter Rigging, Inc., et al.
CASE NUMBER: 19-30495
PROPOSED PLAN DATE: UNKNOWN

PETITION DATE: 1/31/2019
DISTRICT OF TEXAS: Southern District of Texas
DIVISION: Houston

MONTHLY OPERATING REPORT SUMMARY FOR FEBRUARY 2019

(\$ in thousands)	FEBRUARY				
REVENUES (MOR-6)	675,682	0	0	0	0
INCOME BEFORE INT; DEPREC./TAX (MOR-6)	(676,837)	0	0	0	0
NET INCOME (LOSS) (MOR-6)	(863,044)	0	0	0	0
PAYMENTS TO INSIDERS (MOR-9)	93,960	0	0	0	0
PAYMENTS TO PROFESSIONALS (MOR-9)	0	0	0	0	0
TOTAL DISBURSEMENTS (MOR-8)	955,633	0	0	0	0

The original of this document must be filed with the United States Bankruptcy Court and a copy must be sent to the United States Trustee

REQUIRED INSURANCE MAINTAINED		
AS OF SIGNATURE DATE	Maintained	EXP. DATE
GENERAL LIABILITY	YES	4/1/2019
COMMERCIAL INLAND MARINE	YES	4/1/2019
COMMERCIAL PROPERTY	YES	4/1/2019
COMMERCIAL AUTO EXCESS LIABILITY	YES	4/1/2019
WORKERS COMPENSATION	YES	1/10/2020
COMMERCIAL AUTO	YES	4/1/2019
CATASTROPHIE LIABILITY	YES	4/1/2019
EXCESS THIRD PARTY	YES	4/1/2019
U.S. LONGSHOREMEN'S & HARBOR WORKERS	YES	4/18/2019
INLAND MARINE	YES	9/30/2019
EMPLOYMENT PRACTICES	YES	12/14/2019

ATTORNEY NAME: Marcus A. Helt
FIRM NAME: Foley Lardner LLP
ADDRESS: 2021 McKinney Avenue
Suite 1600
CITY, STATE, ZIP: Dallas, Texas 75201
TELEPHONE/FAX: (214) 999-3000

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CIRCLE ONE

Are all accounts receivable being collected within terms? Yes ☒ No

Are all post-petition liabilities, including taxes, being paid within terms? ☒ Yes No

Have any pre-petition liabilities been paid? ☒ Yes No

If so, describe Amounts paid pursuant to First Day Orders.

Are all funds received being deposited into DIP bank accounts? Yes ☒ No

Were any assets disposed of outside the normal course of business? Yes ☒ No

If so, describe _____

Are all U.S. Trustee Quarterly Fee Payments current? ☒ Yes No

What is the status of your Plan of Reorganization? The Debtors are in the process of negotiating a plan with the various case parties.

I certify under penalty of perjury that the following complete Monthly Operating Report (MOR), consisting of MOR-1 through MOR-9 plus attachments, is true and correct.

SIGNED: /s/ Ryan Bouley

3/29/2019

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

CASE NAME: Burkhalter Rigging, Inc., et al.
CASE NUMBER: 19-30495

PETITION DATE: 1/31/2019

MONTHLY OPERATING REPORT NOTES FOR FEBRUARY 2019

- Note 1 Debtor-in-Possession Financial Statements - The accompanying schedules MOR-1 through MOR-9 and the supplemental exhibits contained herein are unaudited, preliminary, and may not comply with generally accepted accounting principles in the United States of America ("U.S. GAAP") in all material respects. In addition, the financial statements and the supplemental information contained herein represent the financial information for the Debtors only. The Company's non-Debtor entities are not included in the financial statements and supplemental information contained herein.
- Note 2 The Monthly Operating Report is limited in scope, covers a limited time period, and has been prepared solely for the purpose of complying with the monthly reporting requirements of the Bankruptcy Court and the United States Trustee. The unaudited financial statements have been derived from the books and records of the Debtor. The information presented herein has not been subject to all procedures that would typically be applied to financial information presented in accordance with GAAP. Upon the application of such procedures, the Debtors believe that the financial information could be subject to changes, and these changes could be material. The information furnished in this Monthly Operating Report includes normal recurring adjustments, but does not include all of the adjustments that would typically be made for interim financial statements in accordance with GAAP.
- Note 3 The results of operations contained herein are not necessarily indicative of results that are expected from any other period or for the full year and may not necessarily reflect the combined results of operations, financial position or cash flows of the Debtors in the future.
- Note 4 The February financial statements are preliminary and subject to quarter-end adjustments and true-ups made during the quarter close process.

CASE NAME: Burkhalter Rigging, Inc., et al.
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COMPARATIVE BALANCE SHEETS

ASSETS	FILING DATE 1/31/2019	MONTH 2/28/2019	MONTH	MONTH	MONTH
CURRENT ASSETS					
Cash	See attached Exhibit A				
Revenue Receivable					
Accounts Receivable, Net					
Prepaid Expenses					
Commodity derivative contracts					
TOTAL CURRENT ASSETS	0.00	0.00	0.00	0.00	0.00
PROPERTY, PLANT & EQUIP. @ COST					
Less: Accumulated Depreciation					
NET BOOK VALUE OF PP & E	0.00	0.00	0.00	0.00	0.00
OTHER ASSETS					
1. Restricted Cash					
2. Advances to Operators					
TOTAL ASSETS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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CASE NAME: Burkhalter Rigging, Inc., et al.
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COMPARATIVE BALANCE SHEETS

LIABILITIES & OWNER'S EQUITY	FILING DATE 1/31/2019	MONTH 2/28/2019	MONTH	MONTH	MONTH
LIABILITIES					
POST-PETITION LIABILITIES(MOR-4)					
PRE-PETITION LIABILITIES					
Accounts Payable	See attached Exhibit A				
Revenues Payable					
Accrued Interest					
Accrued Drilling and Operating Cost					
Other Accrued Liabilities					
Liabilities Subject to Compromise					
Term Loan					
Convertible Notes					
Asset Retirement Obligations					
TOTAL PRE-PETITION LIABILITIES	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	0.00	0.00	0.00	0.00	0.00
OWNER'S EQUITY (DEFICIT)					
Preferred Stock, par value (Series A)					
Preferred Stock, par value (Series B)					
Common Stock, par value					
Additional paid-in capital (commons stock & stock comp)					
Additional paid-in capital (preferred shares - Series A)					
Additional paid-in capital (preferred shares - Series B)					
Deficits					
TOTAL OWNER'S EQUITY (NET WORTH)	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES & OWNER'S EQUITY	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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CASE NAME: Burkhalter Rigging, Inc., et al.
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EXHIBIT A: COMPARATIVE BALANCE SHEETS

	<u>Filing Date</u>	<u>2/28/2019</u>
ASSETS		
Current Assets:		
Cash	\$ 148,313	\$ 625,365
Accounts Receivable	4,347,568	4,128,582
Costs in Excess of Billings	216,684	97,966
Prepaid Insurance	142,012	100,699
Employee Receivable	28,115	28,025
Other Accounts Receivable	306,670	306,670
Total current assets	5,189,362	5,287,307
Fixed Assets:		
Heavy Equipment	25,837,904	25,940,869
Other Equipment	9,478,853	9,478,853
Office Furniture/Equipment	223,659	223,659
Leasehold Improvements	636,044	636,044
Total Fixed Assets	36,176,461	36,279,425
Less: Accumulated Depreciation	(14,476,453)	(14,562,763)
Net fixed assets	21,700,007	21,716,661
Other Assets:		
Deposits	86,000	86,000
Investment in BBLLC	1,589,650	1,617,854
Investment in tax liens	1,081	1,081
Total other assets	1,676,731	1,704,935
TOTAL ASSETS	\$ 28,566,100	\$ 28,708,903
LIABILITIES & EQUITY		
Current Liabilities:		
Prepetition Accounts Payable	\$ 7,720,007	\$ 7,910,696
Postpetition Accounts Payable	-	96,682
Billings in Excess of Costs		86,568
Salaries & Wages Payable	89,946	56,126
Taxes Payable	152,072	138,490
Other Liabilities	3,636,597	4,413,057
Total current liabilities	11,599,882	12,701,620
Long Term Liabilities:		
Notes Payable	24,282,563	24,186,673
Deferred Income Taxes	5,385,623	5,385,623
Total long term liabilities	29,668,186	29,572,296
Equity:		
Total equity	(12,701,968)	(13,565,012)
TOTAL LIABILITIES & EQUITY	\$ 28,566,100	\$ 28,708,903

CASE NAME: Burkhalter Rigging, Inc., et al.
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SCHEDULE OF POST-PETITION LIABILITIES

	MONTH 2/28/2019	MONTH	MONTH	MONTH	MONTH
TRADE ACCOUNTS PAYABLE	96,682				
TAX PAYABLE					
Federal Payroll Taxes	36,486				
State Payroll Taxes	12,987				
Ad Valorem Taxes					
Other Taxes	12				
TOTAL TAXES PAYABLE	49,485	0.00	0.00	0.00	0.00
OTHER PAYABLES					
Payroll Misc Deductions	966				
401k Accruals	11,582				
Billings in Excess of Costs	86,568				
Salaries & Wages Payable	56,126				
Workers' Comp Accrual	553				
Misc Accruals	210,917				
TOTAL OTHER PAYABLES	366,712				
SECURED DEBT POST-PETITION					
ACCRUED INTEREST PAYABLE					
ACCRUED PROFESSIONAL FEES*	532,570				
OTHER ACCRUED LIABILITIES					
TOTAL POST-PETITION LIABILITIES (MOR-3)	\$1,045,450	\$0.00	\$0.00	\$0.00	\$0.00

*Payment requires Court Approval

MOR-4

CASE NAME: Burkhalter Rigging, Inc., et al.
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**AGING OF POST-PETITION LIABILITIES
FEBRUARY 2019**

	TOTAL	TRADE ACCOUNTS	FEDERAL TAXES	STATE TAXES	AD VALOREM, OTHER TAXES	401K ACCRUALS	ACCRUED PROFESSIONAL FEES	OTHER PAYABLES
Current	1,020,181	71,413	36,498	12,987	0	11,582	532,570	355,131
0-30 DAYS	25,269	25,269	-	-	-	-	-	-
31-60 DAYS	-	-	-	-	-	-	-	-
61-90 DAYS	-	-	-	-	-	-	-	-
91+ DAYS	-	-	-	-	-	-	-	-
TOTAL	\$1,045,450	\$96,682	\$36,498	\$12,987	\$0	\$11,582	\$532,570	\$355,131

AGING OF ACCOUNTS RECEIVABLE

MONTH	2/28/2019							
Current	311,667							
0-30 DAYS	956,682							
31-60 DAYS	1,274,299							
61-90 DAYS	744,185							
91+ DAYS	1,176,444							
TOTAL	\$4,463,277	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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STATEMENT OF INCOME (LOSS)

	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
REVENUES (MOR-1)							0.00
TOTAL COST OF REVENUES							0.00
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING EXPENSES:							
Selling & Marketing	See attached Exhibit B						0.00
General & Administrative							0.00
Insiders Compensation							0.00
Professional Fees							0.00
Other							0.00
Other							0.00
TOTAL OPERATING EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCOME BEFORE INT, DEPR/TAX (MOR-1)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST EXPENSE							0.00
DEPRECIATION							0.00
OTHER (INCOME) EXPENSE*							0.00
OTHER ITEMS**							0.00
TOTAL INT, DEPR & OTHER ITEMS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NET INCOME BEFORE TAXES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FEDERAL INCOME TAXES							0.00
NET INCOME (LOSS) (MOR-1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Accrual Accounting Required, Otherwise Footnote with Explanation.

* Footnote Mandatory.

** Unusual and/or infrequent item(s) outside the ordinary course of business requires footnote.

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Revised 07/01/98

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EXHIBIT B: STATEMENT OF INCOME (LOSS)

	<u>2/28/2019</u>
Job Billings	\$ 675,682
Direct Job Expense	500,005
Gross profit	\$ 175,677
Indirect Expenses	13,029
Insiders Compensation	93,960
G & A	212,955
Professional Fees	532,570
Income from operations	\$ (676,837)
EQ/Depreciation	83,841
Interest Expense	99,896
Depreciation Expense-Leasehold	2,469
Provision for Income Taxes	-
Net Income (Loss)	\$ (863,044)

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CASH RECEIPTS AND DISBURSEMENTS	MONTH 2/28/2019	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
1. CASH-BEGINNING OF MONTH	\$148,313					\$148,313
RECEIPTS:						
2. CASH SALES						0
3. COLLECTION OF ACCOUNTS RECEIVABLE	1,416,452					1,416,452
4. LOANS & ADVANCES (attach list)	0					0
5. SALE OF ASSETS	0					0
6. OTHER (attach list)	16,232					16,232
TOTAL RECEIPTS**	1,432,684	0.00	0.00	0.00	0.00	1,432,684
(Withdrawal) Contribution by Individual Debtor MFR-2*						0
DISBURSEMENTS:						
7. NET PAYROLL (1)	397,176					397,176
8. PAYROLL TAXES PAID	134,752					134,752
9. SALES, USE & OTHER TAXES PAID	48,293					48,293
10. SECURED/RENTAL/LEASES	31,270					31,270
11. UTILITIES & TELEPHONE	133					133
12. INSURANCE (2)	208,799					208,799
13. INVENTORY PURCHASES	0					0
14. VEHICLE EXPENSES	0					0
15. TRAVEL & ENTERTAINMENT	0					0
16. REPAIRS, MAINTENANCE & SUPPLIES	0					0
17. ADMINISTRATIVE & SELLING	16,615					16,615
18. JOB COSTS	118,595					118,595
19. OTHER (attach list)	0					0
TOTAL DISBURSEMENTS FROM OPERATIONS	955,633	0	0	0	0	955,633
20. PROFESSIONAL FEES	0					0
21. U.S. TRUSTEE FEES	0					0
22. OTHER REORGANIZATION EXPENSES (attach list)	0					0
TOTAL DISBURSEMENTS** (3)	955,633	0	0	0	0	955,633
23. NET CASH FLOW	477,052	0	0	0	0	477,052
24. CASH - END OF MONTH (MOR-2)	\$625,365	\$0	\$0	\$0	\$0	\$625,365

Footnotes

(1) Includes 401(k) matching

(2) Includes amounts paid for employee insurance coverage

(3) See Exhibit C for disbursements by entity

* Applies to Individual debtors only

**Numbers for the current month should balance (match)

RECEIPTS and CHECKS/OTHER DISBURSEMENTS lines on MOR-8

MOR-7

CASE NAME: Burkhalter Rigging, Inc., et al.

CASE NUMBER: 19-30495

EXHIBIT C: TOTAL DISBURSEMENTS BY COMPANY

	BRI¹	BTI²	BST³
February	955,427	181	25

Note: (1) Burkhalter Rigging, Inc.
 (2) Burkhalter Transport, Inc.
 (3) Burkhalter Specialized Transport, LLC

CASE NAME: Burkhalter Rigging, Inc., et al.
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**CASH ACCOUNT RECONCILIATION
MONTH OF FEBRUARY 2019**

BANK NAME	Regions Bank	Regions Bank	Regions Bank	Regions Bank	Regions Bank	Trustmark Bank	Trustmark Bank	Trustmark Bank	Petty Cash	
ACCOUNT NUMBER (LAST 4)	0483	3339	3347	1786	2860	0304	9723	9715		
ACCOUNT TYPE	<i>BRI - General Checking</i>	<i>BRI - DIP</i>	<i>BST - DIP</i>	<i>BTI - DIP</i>	<i>Utility Deposit</i>	<i>BRI - General Checking</i>	<i>BST - General Checking</i>	<i>BTI - General Checking</i>		TOTAL
BANK BALANCE (\$ in thousands)	\$266,314	\$442,200	\$50	\$395	\$9,500	\$0	\$0	\$0	\$1,000	\$719,458
DEPOSITS IN TRANSIT	(2,416)	0								(\$2,416)
OUTSTANDING CHECKS	14,875	76,804								\$91,678
ADJUSTED BANK BALANCE	\$249,023	\$365,396	\$50	\$395	\$9,500	\$0	\$0	\$0	\$1,000	\$625,365
BEGINNING CASH - PER BOOKS	\$ 36,807	\$ -	\$ -	\$ -	\$ -	\$ 110,191	\$ 269	\$ 46	\$ 1,000	\$148,313
RECEIPTS*	754,585	630,638				47,461	-	-		\$1,432,684
TRANSFERS BETWEEN ACCOUNTS	247,176	(99,495)	50	550	9,500	(157,517)	(244)	(20)		\$0
(WITHDRAWAL) OR CONTRIBUTION BY INDIVIDUAL DEBTOR MFR-2										\$0
CHECKS/OTHER DISBURSEMENTS*	789,545	165,747		155		135	25	26		\$955,633
ENDING CASH - PER BOOKS	\$ 249,023	\$ 365,396	\$ 50	\$ 395	\$ 9,500	\$ -	\$ -	\$ -	\$ 1,000	\$625,365

MOR-8

*Numbers should balance (match) TOTAL RECEIPTS and
TOTAL DISBURSEMENTS lines on MOR-7

CASE NAME: Burkhalter Rigging, Inc., et al.
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PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown for the month, list the amount paid to insiders (as defined in Section 101(31)(A)-(F) of the U.S. Bankruptcy Code) and the professionals. Also, for insiders, identify the type of compensation paid (e.g., salary, commission, bonus, etc.) (Attach additional pages as necessary).

INSIDERS: NAME/COMP TYPE	MONTH 2/28/2019	MONTH	MONTH	MONTH	MONTH
1 Douglas Miller (salary and expense reimbursement)	35,237				
2 Brett Burkhalter (salary and expense reimbursement)	1,768				
3 Brooke Burkhalter (salary and expense reimbursement)	10,385				
4 Christine Burkhalter (salary and expense reimbursement)	10,232				
5 Delynn Burkhalter (salary and expense reimbursement)	29,454				
6 Lindsey Burkhalter (salary and expense reimbursement)	6,884				
TOTAL INSIDERS (MOR-1)	\$93,960	\$0	\$0	\$0	\$0

PROFESSIONALS	MONTH 2/28/2019	MONTH	MONTH	MONTH	MONTH
1					
2					
3					
4					
5					
TOTAL PROFESSIONALS (MOR-1)	\$0	\$0	\$0	\$0	\$0

MOR-9